

OFFICE OF THE TREASURER

P. O. BOX 942809
SACRAMENTO, CA 94209-0001



January 22, 2010

**SUPPLEMENTAL REQUEST FOR UNDERWRITER
STATEMENT OF QUALIFICATIONS
The Regents of the University of California**

To Underwriter Pool Members:

The State Treasurer's Office ("STO"), in conjunction with The Regents of the University of California ("The Regents"), requests that certain firms meeting the minimum qualifications and interested in providing senior managed bond underwriting and investment banking services for The Regents' General Revenue Bond, Limited Project Revenue Bond, and Medical Center Pooled Revenue Bond financings submit a statement of qualifications to the STO by noon (Pacific Time) on February 10, 2010. Qualifications should be e-mailed to the STO at **STO@treasurer.ca.gov**. The statement of qualifications should respond to the attached request.

In order to be selected as a member of The Regents' underwriting pool, firms must be a member of the STO's underwriting pool. Firms that are not a current member of the STO's underwriting pool must submit an underwriting pool member application form in conjunction with the submission of the statement of qualifications for The Regents. Pool member application forms may be found on the STO's website at www.treasurer.ca.gov. Your firm may be placed in a pool and may be selected to underwrite (as senior manager) bonds issued by The Regents. The STO and The Regents desire firms experienced with public higher education institution financing to assist The Regents in meeting its financing objectives.

It is the protocol of the STO that firms (and their agents) are to refrain from advocating or inquiring about the status of this selection process unless contacted by the STO or The Regents. Any necessary contact with the STO or The Regents regarding this request should be directed exclusively to Deanne Brown at (916) 654-6169 or via e-mail at dbrown@treasurer.ca.gov, unless a firm is given specific directions to respond to another designated contact person. Failure to adhere to this protocol may result in disqualification.

Sincerely,

/S/

Blake Fowler, Director
Public Finance Division

**SUPPLEMENTAL REQUEST FOR UNDERWRITER
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I. INTRODUCTION

The California State Treasurer's Office ("STO"), in conjunction with The Regents of the University of California ("The Regents"), requests statements of qualifications for senior managed bond underwriting and investment banking services for The Regents' General Revenue Bond, Limited Project Revenue Bond, and Medical Center Pooled Revenue Bond financings. It is the intent of the STO and The Regents to select a pool of underwriters from which firms may be appointed to underwrite, as senior manager, bonds as they are issued. The scope of services and the information required to be submitted are outlined in this Request for Qualifications ("RFQ").

II. BACKGROUND

The University of California (the "University"), established in 1868, is the public institution of higher education designated by the State of California in its master plan for higher education for the training of individuals for the professions, for the awarding of doctoral degrees in all fields of human knowledge, and for the conduct of research. The Constitution of the State of California provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California", which is vested with full powers of organization and governance, subject only to such legislative control as may be necessary to ensure the security of its funds and compliance with endowments of the University and such competitive bidding procedures as may be made applicable to the University by statute for the letting of construction contracts, sales of real property, and purchasing of materials, goods, and services.

The Regents will use the proceeds of the sale of the bonds to finance or refinance the acquisition, construction, improvement and renovation of certain facilities of the University, including, but not limited to student housing, faculty housing, parking facilities, student centers, recreation and events facilities, cogeneration facilities, research facilities, bookstores, certain seismic retrofitting improvements, academic medical center facilities and certain academic, administrative and other facilities of the University.

III. SCOPE OF SERVICES

For each issuance of debt obligations, once assignments have been designated, specific duties will be allocated accordingly. The scope of services to be provided by the selected underwriters will include, but are not limited to, the following:

1. Advise and assist The Regents in the overall management of the debt obligations that may be appropriate, and provide consistent, ongoing, relevant and value-added investment banking service, including requested and unrequested ideas, advice and proposals;
2. Assist The Regents in the maintenance of beneficial relationships with credit rating agencies, credit providers and investors on an ongoing basis and coordinate presentations with these parties on behalf of The Regents. In this regard, the selected firms will monitor any events that may have an impact on the credit rating and work with The Regents in formulating responses to significant changes in its underlying financial condition;
3. Coordinate timing of issuances of debt obligations with the STO and The Regents;
4. Coordinate the activities of the financial teams on each transaction and assist in the preparation and review of bond financing documentation (Bond Purchase Agreement, Official Statement, etc.) and legal and disclosure documentation;
5. Oversee, as senior manager, an underwriting syndicate at the time of sale and, in cooperation with the STO and The Regents, determine appropriate marketing strategies (including identifying potential investors and market conditions for alternative products) and pricing structures for each sale;
6. Follow the STO policies, either oral or written, for liability, designation and retention procedures, pricing procedures and the process of selling debt obligations;
7. Assist the STO and The Regents in developing the financing plan, which includes successful structuring, marketing, and sale of the debt obligations to achieve the lowest possible borrowing cost; and
8. Assist the STO and The Regents in the post-financing evaluation process including the timely submittal of all required reports.

IV. GUIDELINES FOR THE STATEMENT OF QUALIFICATIONS

A. Minimum Qualifications

1. Firms must be a member of the STO's underwriter pool and maintain the minimum qualifications delineated in requirements for underwriter pool membership. Pool member applications, as well as a listing of the minimum qualifications, may be obtained from the STO's website at www.treasurer.ca.gov.
2. Firms must not be a "scrutinized" company (as defined in Section 10475 of the Public Contract Code) that does business in the African nation of Sudan;
3. Firms should not be a publicly-held U.S. expatriate corporation; and
4. Firms must have senior managed or co-senior managed a public higher education institution negotiated revenue bond financing within the last three years.

B. Content of Statement of Qualifications

Responding firms must demonstrate their experience in the following areas. Responses must be concise and within the page limits specified below (excluding the requested legal and regulatory information, compensation proposal, and required attachments). Number answers according to this RFQ (i.e. *a* through *m*), and start each answer on a separate numbered page. Arial font should be used with a font size no less than *12 characters per inch*. Failure to provide all requested information or deviation from the required format may result in disqualification.

1. Response Cover Letter

Responses shall include a one page cover letter which includes a brief statement of intent to perform the services if selected and contain a signature of an authorized officer of the organization who has legal authority in such transactions. It should also summarize why your firm should be selected and the ways in which your firm would add the most value. In addition, the cover letter shall include an acknowledgement that your firm complies with the minimum qualifications described in Section IV.A. of this RFQ.

2. Related Experience

- a. Please describe your firm's commitment to public finance. Please describe your firm's commitment to serving higher education clients, specifically large public university revenue bond issuers. (1 page limit)
- b. Please describe your banking team's experience with issuers similar to UC. Specifically, please provide your lead bankers' experience with public higher education revenue bond credits along with related auxiliary facility revenue bond credits. Please describe the relevance of your experience, and provide two case studies and references. (1 page limit)
- c. Please describe your banking team's tax-exempt health care financing qualifications, specifically with academic medical center revenue bond credits. Also please describe your team's experience with taxable bond issuance for not-for-profit healthcare issuers. Please provide two references. (1 page limit)
- d. Please detail the key strengths of your firm's institutional investor marketing and distribution capabilities relevant to a UC tax-exempt fixed rate bond issue. Also detail the key strengths of your firm's retail investor marketing and distribution network relevant to a UC tax-exempt fixed rate bond issue. (1 page limit)
- e. Please detail the key qualifications and strengths of your marketing and distribution network relevant to a UC taxable fixed rate bond issue, in particular a Build America Bond (BAB) issue. (1 page limit)
- f. Please describe your quantitative and analytical resources and capabilities, and please provide examples in which those members of your team have performed (a) new issuance numbers across different projects, (b) refunding and restructuring analysis, (c) tax-exempt and taxable/BAB analysis. Please provide two references. (1 page limit)
- g. Please describe your remarketing capabilities. Please comment on your firm's performance and experience in the municipal short-term market since the beginning of 2008, in particular your commitment to issuer clients. From the period since January 2008, please provide summary statistics, including number and par amount of remarketed issues and weighted average spread to SIFMA, for both bank-supported and self-liquidity supported paper pertaining to (a) AA and higher rated higher education variable demand bonds, both daily and weekly reset, (b) AA and higher rated healthcare variable demand bonds, both daily and weekly reset, (c) California variable rate demand bonds, both daily and weekly reset, (d) taxable and tax-exempt

commercial paper for public finance issuers, in particular higher education entities, and (e) other relevant floating rate modes. (1 page limit)

- h. Other qualifications (1 page limit total).
 - 1. Please indicate whether your firm can act as a swap counterparty to UC and comment on your ability to provide swap-related services.
 - 2. If applicable, please describe your credit affiliate's credit ratings and willingness and ability to provide credit to (i) public higher education issuers generally, and (ii) UC specifically. Please indicate how your firm has extended credit to UC in the last year.
- i. What are your thoughts on UC's debt structure? Specifically, what suggestions do you have about (1) the overall debt service profile, (2) the relationship between the General Revenue Bond, Limited Project Revenue Bond and Medical Center Pooled Revenue Bond credits, and (3) third party transactions? (2 page limit)
- j. What recommendations do you have on relationships with the investor community, in particular considering current developments in California and in the municipal bond market? (1 page limit)
- k. Currently, the UC Commission on the Future is examining the question "How can the University of California best serve the state in the years ahead and maintain access, quality and affordability in a time of diminishing resources?" and others as it develops a vision for the future of the state's public research university – one that reaffirms UC's role in sustaining California's economic and cultural vitality, while recognizing that limited state funding will require creativity and new strategies to meet that mission. The Commission and its five working groups – on the size and shape of UC, its education and curriculum, access and affordability, and funding and research strategies – will meet through March to consider, among other issues: What is the right size and shape of the University going forward? Where should it grow, or should it? What educational delivery models will both maintain quality and improve efficiency for UC's future? How can UC maximize traditional and alternative revenue streams in support of its mission? From your vantage point, what are some financial strategies that the Commission may want to consider? Potential topics may include public/private partnerships, monetization of assets and revenue streams, etc. (1 page limit)
- l. The University has significant unfunded pension/retiree health benefit liabilities. Please discuss alternatives to address these liabilities. (1 page limit)

- m. The University uses predominantly fixed rate bonds in its debt structure, with only \$91.2 million variable rate demand obligations which are swapped-to-fixed, \$189.8 million of floating rate notes which are also swap-to-fixed and floating rate exposure through its commercial paper program. Please discuss liquidity, investor and other considerations and alternative ways to take on additional floating rate exposure. Discuss potential solutions in taking on additional variable rate exposure for a multi-campus system such as UC. (2 page limit)

3. Assigned Personnel (Attachment A)

- a. Identify the person(s) who will serve as the primary contact for your firm.
- b. Identify professionals, including underwriting, credit, and quantitative specialists, who will be assigned to work on debt financings for The Regents and their responsibilities, together with a brief résumé that outlines the background, training, and higher education, healthcare, and California experience for each member of the team (Attachment A). Please note that key personnel, as identified in Attachment A, shall not be substituted without prior approval of the STO and The Regents.

4. Licensing, Registration, Disciplinary Action, Litigation, and Conflicts of Interest

Please include the following:

- a. Updated information detailing any new issues regarding licensing, registration, disciplinary action, and litigation matters since your firm's last quarterly update to the State for Underwriter Pool membership;
- b. In addition to the updated information provided in response to subsection 4.(a.) above, please also provide the following information:
Within the past 24 months, has your firm or any of its principals been involved in any litigation, arbitration, disciplinary or other official action arising from the firm's underwriting, underwriting practices or management, or the purchase, sale, or distribution of taxable or tax-exempt municipal securities or other governmental obligations of municipal securities? If your response to this question is yes, please provide an explanation;
- c. Information on any recent or upcoming change in legal structure and/or ownership of the firm;

- d. Completed Legal Disclosure Certification (Attachment B); and
- e. Completed Conflicts of Interest Certification (Attachment C).

5. Compensation

For each of UC's General Revenue Bond, Limited Project Revenue Bond and Medical Center Pooled Revenue Bond credits, assuming at least a \$100 million par size, describe your firm's proposed compensation structure for bond underwriting services described in this RFQ. A summary of proposed bond underwriting compensation for Tax-Exempt Fixed Rate bonds, Variable Rate Demand Obligations and Taxable Fixed Rate bonds (BABs and non-BABs), should include the following:

- a. An indication of takedown and gross spread (dollars/\$1,000 of bonds) that would be required in current market conditions if your firm were selected as senior managing underwriter;
- b. An explanation supporting your firm's takedown proposal provided in your response above;
- c. Any management or structuring fee that your firm might request, including any cap thereon;
- d. A description of other costs to be charged and paid as compensation to the underwriters, including underwriter's counsel fees and other syndicate expenses.

In addition, include your proposed remarketing/dealer fees for Tax-Exempt Variable Rate Demand Obligations.

All fees are subject to negotiation once the financing's structure, size, credit quality, number of participants, and other factors are determined.

Payment shall be made solely from bond proceeds and is conditioned upon the successful issuance of debt obligations.

C. Delivery

Supplemental Statement of Qualifications shall be submitted by e-mail until noon (Pacific Time) on February 10, 2010 at:

Deliveries By E-mail

RE: Underwriter Statement of Qualifications-The Regents
STO@treasurer.ca.gov

No fax transmittals will be accepted (with exception of signature pages). Please call Deanne Brown at (916) 654-6169 if you do not receive an e-mail confirming that your Statement of Qualifications was received. Firms that do not receive confirmation accept the risk that any proposal not received on a timely basis will not be considered.

All material submitted in response to this solicitation will become property of the State of California and will not be returned. In addition, all material submitted may be considered a public record by the STO and subject to disclosure pursuant to the California Public Records Act. Should the STO receive a request for any proposals submitted in response to this RFQ, the firm submitting the requested proposal will be contacted prior to disclosure of the proposal to determine what portions, if any, of the proposal may be confidential. The STO reserves the right, consistent with the California Public Records Act and in consultation with the firm, to make the final determination whether a proposal, or any portion of it, is confidential and not subject to disclosure.

V. CONTACT WITH THE STO

Firms (and their agents) are requested to refrain from calling the STO or The Regents to inquire about the status of their proposals unless contacted by the STO or The Regents. Any necessary contact with the STO should be directed exclusively to Deanne Brown at (916) 654-6169 unless given specific directions to respond to another designated contact person. Failure to adhere to such request may result in disqualification.

VI. STATEMENT EVALUATIONS

Statements of Qualifications will be evaluated based on the following criteria (not listed in order of importance):

- a) Qualifications and experience of the firm, particularly with public university revenue bond financings and academic medical centers;
- b) Relevant background of the recommended personnel as well as availability for dedication to the program to be financed; and
- c) Proposed compensation.

The STO reserves the right to:

- a) Request an interview with, and require additional information from any firm prior to selection; and

- b) Consider information about any firm from other sources in addition to the information submitted by the firm.

VII. REMOVAL FROM SERVICE

Any underwriter may be excluded or removed from service for reasons that include, but are not limited to, the following:

- a) Unacceptable performance in any bond sale as determined by an evaluation completed by the STO and The Regents;
- b) Failure to continue to meet the minimum qualifications listed under Section IV.A.;
- c) Failure to maintain federal, State and FINRA (formerly NASD) registrations, licenses, or memberships necessary for offering and selling securities in California;
- d) Being the subject of or failure to disclose any litigation, arbitration, or disciplinary action by the Securities and Exchange Commission, FINRA, or the California Department of Corporations;
- e) Filing for protections under federal or State bankruptcy laws; and
- f) Any change in the firm's financial condition, ownership and/or business continuation plan that, in the sole discretion of the STO, may impact the firm's ability to complete the assignment as envisioned.

VIII. ONGOING COMPLIANCE WITH MINIMUM QUALIFICATIONS

The STO will not contract or otherwise do business—absent a compelling public interest—with publicly-held U.S. expatriate corporations. This policy is designed to ensure that companies with which the STO does business meet threshold standards of corporate accountability.

To remain a designated underwriter, firms must meet Minimum Qualifications set forth on the current Request for Statement of Qualifications application for underwriter pool membership at all times. Underwriters are responsible for notifying the STO if they no longer meet minimum qualifications. Firms should contact the Director of the Public Finance Division at (916) 653-2903.

Firm: _____

Attachment A

STATE OF CALIFORNIA

OFFICE OF THE STATE TREASURER

Assigned Personnel

Identify the key personnel (including Investment Bankers, Underwriters, and Traders) that would be directly involved in The Regents' programs to be financed. Specifically identify the person(s) who will serve as the primary contact for your firm.

Name	Title	Office Location	Role	How Long In Current Position	How Long Employed at Current Firm	How Long in Municipal Industry	Relevant Experience	Availability
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Legal Disclosure Certification

I, _____, Managing Partner, certify as follows:

I am the Managing Partner of _____ (the "firm")
and am authorized to execute this Certification on its behalf.

The firm is interested in providing underwriting services to the State of California and has submitted a Supplementary Statement of Qualifications for The Regents of the University of California to the State Treasurer's Office in order to be considered for appointment to provide such services.

In the Statement of Qualifications, the firm has responded to questions regarding legal proceedings against the firm, as specified, in connection with offerings of municipal securities in California transactions and nationwide.

The Request for Statement of Qualifications requires that the firm notify the State Treasurer's Office regarding changes to the legal information submitted with the Statement of Qualifications, as well as information about legal proceedings originating after submission of the Statement of Qualifications.

I certify that I have reviewed the requirements for updating the State Treasurer's Office regarding legal proceedings, and I agree, on behalf of the firm to fulfill the requirements as outlined.

Managing Partner Name

Firm Name

Dated: _____

STATE OF CALIFORNIA
OFFICE OF THE STATE TREASURER

Conflict of Interest

Firm: _____

Please identify and describe below any past or current relationships of your firm that may be considered a conflict of interest with the University of California. (Please use as much space as needed)

Company	Relationship (Please be specific*)

* Please include, at a minimum, a description of the nature and subject of the relationship, and the beginning and ending dates of the relationship.